

# SILVER CITY MINES

Ltd (npl)

**PROSPECTUS**

**- 1968 -**

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SILVER CITY MINES LTD.

(Non-Personal Liability)

PROSPECTUS

Registered Office

Suite 1322  
510 West Hastings Street  
Vancouver 2, B. C.

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

THERE IS NO EXISTING MARKET FOR THE SECURITIES OF THE COMPANY.

NO SURVEY HAS BEEN CONDUCTED OVER THE MINING PROPERTIES HELD BY THE COMPANY. AND THEREFORE, IN ACCORDANCE WITH THE MINING LAWS OF THE APPROPRIATE JURISDICTION IN WHICH SUCH PROPERTY IS SITUATE, THE EXISTENCE OF, AND THE AREA OF SUCH PROPERTIES COULD BE IN DOUBT.

PUBLIC OFFERING 199,000 Shares at 50 Cents.

|           | COLUMN 1               | COLUMN 2    | COLUMN 3                   |
|-----------|------------------------|-------------|----------------------------|
|           | Price to<br>the Public | Commissions | Proceeds to<br>the Company |
| PER UNIT: | \$ .50                 | \$ .10      | \$ .40                     |
| TOTAL:    | \$99,500.00            | \$9,950.00  | \$89,550.00                |

The Company intends to engage in mineral exploration with particular emphasis upon its White River Copper properties. The Company also intends to carry out qualifying assessment work on its Silver City properties at Dawson City, Yukon Territory and its Casca properties in the Vangorda area.

A PURCHASE OF SHARES OFFERED BY THIS PROSPECTUS  
MUST BE CONSIDERED A SPECULATION.

# SILVER CITY MINES LTD.

(Non-Personal Liability)

## PROSPECTUS

### INCORPORATION

Silver City Mines Ltd. (N.P.L.) was incorporated under the Companies Act of the Province of British Columbia on the 11th day of June A.D., 1964 by Certificate of Incorporation. The Head Office of the Company is situate in the Casca Building, Whitehorse, Yukon Territory and its Registered Office is at 1322 - 510 West Hastings Street, Vancouver, British Columbia. The Company was converted to a public Company by Certificate dated the 9th day of September A. D. 1966.

### CAPITALIZATION

The authorized capital of the Company is Five Million (\$5,000,000.00) Dollars divided into Five Million (5,000,000) shares with a nominal or par value of One (\$1.00) Dollar each of which One Million, Five Hundred and Ninety-two Thousand, Seven Hundred and Thirty-nine (1,592,739) are issued and paid up.

| COLUMN 1                | COLUMN 2          | COLUMN 3                                      | COLUMN 4                                    | COLUMN 5   |
|-------------------------|-------------------|---|---|--|
| Designation of Security | Amount Authorized | Amount outstanding as of September 30th, 1967 | Amount outstanding as of November 1st, 1967 | Amount to be outstanding if all securities being issued are sold |
| Common Shares           | 5,000,000         | 1,592,739                                     | 1,592,739                                   | 1,791,739  |

### DIRECTORS AND OFFICERS

The Directors and Officers of the Company are tabulated below:

| NAME AND ADDRESS   | POSITION AND OFFICE            | PRINCIPAL OCCUPATION WITHIN THE FIVE PRECEDING YEARS    |
|--|--------------------------------|---|
| James A. Hanna<br>Whitehorse, Y. T.                                | President<br>Director          | Practising Optometrist,<br>Whitehorse, Yukon Territory  |
| Jerry Ross Buzzelle<br>406 - 1450 West Georgia<br>Vancouver, B. C. | Vice-<br>President<br>Director | Practising Architect,<br>Vancouver, B. C.               |
| Thomas William Connell<br>6107 Buchanan Street<br>Burnaby, B. C.   | Secretary<br>Director          | Secretary of Hanna Gold Mines<br>Ltd., Vancouver, B. C. |
| John W. Drenka<br>Squamish, B. C.                                  | Treasurer<br>Director          | Logging Operator, Squamish,<br>B. C.                    |

Cyril C. Keyes  
397 Rabbitt Lane  
West Vancouver, B. C.

Director

President and Managing  
Director of Pacific Diamond  
Drilling Ltd., Vancouver, B. C.

Lawrence Patnode  
Whitehorse, Y.T.

Director

Forestry Division, Department  
of Northern Affairs, Whitehorse,  
Y. T., 1951 to 1966.  
Independent Prospector, 1966  
to present.

### Remuneration

The aggregate amount of remuneration payable to the Directors and senior Officers of the Issuer in the current fiscal year is NIL. There is no present plan for remuneration arrived at by the Company.

### DESCRIPTION OF THE BUSINESS AND PROPERTY OF THE ISSUER

The Company holds three separate groups of Mineral properties situate in the Territory of Yukon known as the Silver City Group, the White River Copper Group, and the Casca Group.

1. The properties referred to above consist of the following Mineral Claims:

| (a) | <u>Claim Name</u>      | <u>Grant Number</u> |
|-----|------------------------|---------------------|
|     | Silver King            | 78604               |
|     | Silver Dollar          | 78605               |
|     | Apex 1 and 2           | 78606 and 78607     |
|     | Apex 4                 | 78609               |
|     | Argentum               | 78610               |
|     | Eureka                 | 57764               |
|     | Silver City 1 - 4 inc. | 79191 79194 inc.    |
|     | Silver Star 1 - 3 inc. | 79195 - 79197 inc.  |
|     | Star 1 - 4 inc.        | 79198 - 79201 inc.  |
|     | Gin 1 - 8 inc.         | 79202 - 79209 inc.  |
|     | Gin 9 - 14 inc.        | 79218 - 79223 inc.  |
|     | Rum No. 1              | 79217               |
|     | Rum No. 2              | 79216               |
|     | Rum No. 3              | 79215               |
|     | Rum No. 4              | 79214               |
|     | Rum No. 5              | 79213               |
|     | Rum No. 6              | 79212               |
|     | Rum No. 7              | 79211               |
|     | Rum No. 8              | 79210               |
|     | Rum No. 9              | 79224               |
|     | Rum No. 10             | 79225               |
|     | Star 5 - 8 inc.        | 79226 - 79229 inc.  |
|     | Key 1 and 2            | 76538 and 76539     |
|     | Ice 1 - 48 inc.        | 87322 - 87369 inc.  |

The Silver City Group of Mineral Claims are all situate in the Dawson Mining Division, of the Yukon Territory.

| (b) | <u>Claim Name</u>                            | <u>Grant Number</u>  |
|-----|--|--|
|     | Marc 1 - 78 inc.                             | Y4991 - Y5044 inc.<br>Y5216 - Y5237 inc.<br>Y5304 - Y5305 inc.<br>respectively |
|     | Marc 80 - 114 inc.                           | Y5239 - Y5273 inc.   |
|     | Marc 120 - 136 inc.                          | Y5279 - Y5295 inc.   |
|     | Slaggard 1 and 2                             | 90561 and 90562  |
|     | Goldenhorne 1 - 4 inc.                       | 90563 - 90566 inc.   |
|     | KC 5 - 8 inc., 13 - 20<br>inc., 73 - 76 inc. | Y11670 - Y11685 inc.   |
|     | KC 1 - 4 inc., 9 - 12<br>inc., 21 - 32 inc.  | Y12359 - Y12378 inc.   |
|     | Hanna 1 - 48 inc.                            | Y21280 - Y21327 inc.   |
|     | Hanna 49 Fraction - 52 Fraction              | Y21328 - Y21331 inc.   |

The White River Copper Group of Mineral Claims are all situate in the Whitehorse Mining Division, Yukon Territory.

| (c) | <u>Claim Name</u> | <u>Grant Number</u> |
|-----|-------------------|---------------------|
|     | Casca 1 - 64 inc. | Y910 - Y973 inc.    |

The Casca Group of Mineral Claims are all situate in the Whitehorse Mining Division, Yukon Territory.

For access to the Silver City and White River Copper Groups reference may be had to the Engineering Reports of P. H. Sevensma, P. Eng., dated June 27th, 1967 and Robert J. Cathro, P. Eng., dated June 22nd, 1967, respectively, both filed with the Superintendent of Brokers, copies whereof are attached hereto forming part of this Prospectus. The Casca Group lies approximately five miles Southeast of the confluence of Vangorda Creek and Pelly River, approximately thirty miles from the present Ross River – Watson Lake road.

2. All the Mineral Claims set out above are held by location pursuant to the provisions of the Quartz Mining Act of the Yukon Territory.

3. (i) The only property set out above which was purchased within the last three years preceding the date of this Prospectus consists of the Slaggard 1 and 2 and the Goldenhorne 1 - 4 inclusive Mineral Claims which were obtained from Arthur Rivers, Prospector, of Vancouver, B. C., for the sum of Five Thousand (\$5,000.00) Dollars and the allotment to him of Fifty Thousand (50,000) previously issued Vendors shares. All monies have been paid and the Fifty Thousand (50,000) Vendors shares were transferred from the following persons to Mr. Rivers:

|                     |        |
|---------------------|--------|
| Jerry R. Buzzelle   | 1,621  |
| James A. Hanna      | 19,823 |
| John W. Drenka      | 1,621  |
| Thomas W. Connell   | 2,294  |
| Cyril C. Keyes      | 7,204  |
| Lawrence A. Patnode | 12,848 |
| Henry H. Regehr     | 4,589  |

| NAME AND ADDRESS  | NUMBER OF VENDORS<br>SHARES | RELATIONSHIP TO<br>COMPANY |
|---|-----------------------------|----------------------------|
| Arthur Rivers<br>773 Seymour Street<br>Vancouver, B. C. | 50,000                      | Vendor                     |

(ii) No person, or company, to the knowledge of the Company, is to receive from any Vendor a greater than Five (5<sup>0</sup>/o) percent interest in the shares or other consideration received or to be received by the Vendors except the following:

Thomas W. Connell  
Bernard Potter  
Arthur Rivers

4. For the history of the Silver City and White River Copper Groups, reference may be had to the Engineering Reports of P. H. Sevensma, P. Eng., dated June 27th, 1967 and Robert J. Cathro, P. Eng., dated June 22nd, 1967, respectively, both filed with the Superintendent of Brokers, copies whereof are attached hereto forming part of this Prospectus. There is no previous history on the Casca Group.

5. (i) For an account of the underground development work on the Silver City Group, reference may be had to the Engineering Reports of P. H. Sevensma, P. Eng., dated June 27th, 1967 filed with the Superintendent of Brokers, a copy whereof is attached hereto forming part of this Prospectus. There has been no underground development work carried out on the White River Copper Group and the Casca Group.

The Company owns the following underground exploration equipment:

1 - VEW slusher  
1 - Double-drum Gardner Denver double-drum  
Slusher hoist  
1 - 500-CFM Ingersol Rand compressor  
1 - 250 HP centrifical pump  
2 - Copco drilling machines  
300 feet of air line

(ii) Details of the extent of surface development work on the Silver City Group may be found in the Engineering Report of P. H. Sevensma, P. Eng., dated June 27th, 1967, filed with the Superintendent of Brokers, a copy whereof is attached hereto forming part of this Prospectus. For particulars of the extent of surface development work carried out on the White River Copper Group, reference may be had to the Engineering Report of Robert J. Cathro, P. Eng. dated June 22nd, 1967, filed with the Superintendent of Brokers, a copy whereof is attached hereto forming part of this Prospectus. Mr. Cathro's recommended work has now been completed.

A program of bulldozing and trenching was conducted on the Casca Group as well as the preparation of Mosaic Map of the Claims for future use in geophysics in consultation with Lockwood Survey Corp.

The Company owns the following surface development equipment:

- 1 - 18 foot outboard motor boat complete with Mercury outboard motor
- 1 - 10-man camp at Silver City property consisting of bunkhouse, kitchen and one tent frame
- 1 - 4 X 4 Ford 1959 pickup truck

6. For a description of the mineral deposits on the Silver City and White River Copper Groups, reference may be had to the Engineering Reports of P. H. Sevensma, P. Eng., dated June 27th, 1967 and Robert J. Cathro, P. Eng., dated June 22nd, 1967, respectively, both filed with the Superintendent of Brokers, copies whereof are attached hereto forming part of this Prospectus. There has been insufficient work done to establish the existence of ore reserves on these two groups and the Company has no knowledge of any mineral deposits to date on the Casca Group.

7. The present management has carried out all the work set out in paragraphs 5 (i) and (ii) above and there has been established no known body of commercial ore and the proposed program is an exploratory search for ore particularly to the White River Copper Group.

#### USE OF PROCEEDS TO ISSUER

The Company proposes to use the proceeds of this issue to pay and discharge its liabilities incurred in carrying out the work recommended by Robert J. Cathro, P. Eng., in his Engineering Report on the White River Copper Group, which Report is dated June 22nd, 1967, filed with the Superintendent of Brokers, a copy whereof is attached hereto forming part of this Prospectus. This work involved the expenditure of approximately Sixty Thousand (\$60,000.00) Dollars and is detailed as follows:

#### White River Copper Property:

|  |                     |
|--|---------------------|
| Diamond Drilling                       | \$ 25,000.00        |
| Bulldozing and Trenching               | 15,000.00           |
| Geochemical Survey                     | 2,000.00            |
| Consulting Engineering and Supervision | 5,000.00            |
| Transportation                         | 4,000.00            |
| General Administration                 | <u>4,000.00</u>     |
|  | \$ 55,000.00        |
| Contingencies                          | <u>5,000.00</u>     |
| Total Estimated Cost                   | \$ <u>60,000.00</u> |

It is intended to discharge loans from shareholders in the amount of Sixty-two Hundred and Fifty (\$6,250.00) Dollars and current liabilities in the approximate amount of Forty Thousand (\$40,000.00) Dollars arising out of this program. There is no other substantial indebtedness accrued or to be assumed that is not shown on the said Balance Sheet dated the 30th day of September, 1967, filed with the Superintendent of Brokers, a copy whereof is attached hereto forming part of this Prospectus.

No part of the proceeds shall be used to invest, underwrite, or trade in securities other than those that qualify as investments in which Trust Funds may be invested under the laws of the jurisdiction in which the securities offered by this Prospectus may lawfully be sold.

Should the registrant propose to use the proceeds to acquire non-trustee type securities after the initial distribution of the securities offered by this Prospectus, approval by the Shareholders must be obtained and disclosure made to the regulatory securities bodies having jurisdiction over the sale of the securities offered by this Prospectus.

ESCROWED SHARES

As of the 1st of November, 1967, One Million, Four Hundred and Ninety-one Thousand, Seven Hundred and Thirty-nine (1,491,739) shares of the Company, set out in the table below, are held in escrow by the Crown Trust Company under the terms of an Escrow Agreement and subject to release or transfer only with the written consent of the Superintendent of Brokers in the Province of British Columbia. If the Company loses, abandons or discontinues the development of the Mineral Claims for which the Vendors shares were allotted, or if the said Mineral Claims are subsequently found to be not as represented herein, the Superintendent of Brokers may require the surrender by way of gift to the Company for cancellation, such number of the above shares as he in his sole discretion deems fair and equitable.

| COLUMN 1             | COLUMN 2                        | COLUMN 3            |
|----------------------|---------------------------------|---------------------|
| Designation of class | Number of shares held in Escrow | Percentage of Class |
| Common shares        | 1,491,739                       | 93 percent          |

PRINCIPAL HOLDERS OF SECURITIES

The table below shows all those who own more than Ten (10<sup>0</sup>/o) percent of the Common shares of the Company as of November 1st, 1967.

| COLUMN 1  | COLUMN 2             | COLUMN 3              | COLUMN 4               | COLUMN 5            |
|---|----------------------|-----------------------|------------------------|---------------------|
| Name and Address  | Designation of Class | Type of Ownership     | Number of shares owned | Percentage of Class |
| James A. Hanna<br>Whitehorse, Y. T.                         | Common shares        | Record and Beneficial | 246,711                | 15.4 %              |
| Cyril C. Keyes<br>397 Rabbitt Lane<br>West Vancouver, B. C. | Common shares        | Record and Beneficial | 196,036                | 12.3 %              |
| Lawrence Patnode<br>Whitehorse, Y. T.                       | Common Shares        | Record and Beneficial | 162,094                | 10.1 %              |

The percentage of equity shares of the Company owned by the Directors or senior Officers, directly or indirectly, is shown on the table below.

| COLUMN 1             | COLUMN 2            |
|----------------------|---------------------|
| Designation of Class | Percentage of Class |
| Common Shares        | 53 percent          |

#### PRIOR SALES

Within the past twelve months prior to the date of this Prospectus, the Company sold One Hundred and One Thousand (101,000) shares of its Common stock at Fifty (50¢) Cents per share to net the Treasury Forty Thousand, Four Hundred (\$40,400.00) Dollars.

#### AUDITORS, TRANSFER AGENTS, AND REGISTRARS

1. The Auditors of the Company are Collins & Collins, 1030 West Georgia Street, Vancouver, British Columbia, Chartered Accountants.
2. The Registrar and Transfer Agent of the Company is Crown Trust Company, 455 Howe Street, Vancouver, British Columbia.

#### DIVIDEND RECORD

There have been no dividends paid within five years preceding the date of this Prospectus.

#### ISSUANCE OF OBLIGATIONS

There have been no obligations offered or proposed to be offered by the Company.

#### ISSUANCE OF OTHER SECURITIES

There have been no other securities offered or proposed to be offered by the Company.

#### OPTIONS TO PURCHASE SECURITIES

There have been no options to purchase securities of the Company given or proposed to be given.

#### PENDING LEGAL PROCEEDINGS

There are no pending legal proceedings against the Issuer to the knowledge of the Company at the present time.

## ISSUANCE OF SHARES

The Company is offering by this Prospectus One Hundred and Ninety-nine Thousand (199,000) shares at Fifty (50¢) Cents per share payable in cash upon application and subject to the payment or allowance of a commission not to exceed Ten (10¢) Cents per share. The rate of commission is Twenty (20<sup>0</sup>/o) percent. The amount of discount is Fifty (50¢) Cents per share. There are no special rights or restrictions attaching to any of the shares being offered.

## PLAN OF DISTRIBUTION

These shares are to be sold by the Company through its Directors and licensed salesmen without the use of underwriters.

## PROMOTERS

The Promoters of the Company are as follows:

James A. Hanna  
Cyril C. Keyes  
Lawrence Patnode

There are no shares issued or to be issued or cash paid or to be paid to any Promoter as such except the following:

Pursuant to an Option Agreement in writing dated the 19th day of August, 1964 between Silver City Mines Ltd. (N. P. L.) of the First Part and Werner Kaufmann, Lawrence Patnode, Henry Regehr, James A. Hanna and Cyril C. Keyes of the Second Part, the said Optionees acquired the rights to purchase the Silver City Group of Mineral Claims by the assumption of the payment to John Risco, Prospector, of Dawson City, Yukon Territory, of the sum of Twenty-one Thousand, Six Hundred and Ten (\$21,610.00) Dollars. This Option has been assigned to the Company by the Optionees in consideration of the allotment of the following shares to the following persons:

|                  |         |
|------------------|---------|
| Werner Kaufmann  | 200,000 |
| Lawrence Patnode | 200,000 |
| Henry Regehr     | 50,000  |
| James A. Hanna   | 200,000 |
| Cyril C. Keyes   | 100,000 |

## RIGHTS OF RESCISSION

Section 61 and 62 of the Securities Act, 1967 (British Columbia) provides in effect, that where a security is offered to the public in the course of primary distribution, a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

A purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading

in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.

### MATERIAL CONTRACTS

The knowledge obtained by the Company in its recent exploration program and as reported on by Robert J. Cathro, P. Eng., in his Report dated November 30th, 1967, filed with the Superintendent of Brokers, a copy whereof accompanies this Prospectus resulted in the Company entering into an Agreement with Central-Del Rio Oils Limited giving the latter Company the right to earn, by the expenditure of One and One-half Million (\$1,500,000.00) Dollars at Sixty (60<sup>0</sup>/o) percent Central-Del Rio Oils Limited and Forty (40<sup>0</sup>/o) percent Silver City Mines participation in the development of the Company's White River Copper properties. The full text of the Agreement presently in letter form is attached hereto forming part of this Prospectus.

### OTHER MATERIAL FACTS

There is no other material fact not declared under any other provision of this Prospectus.

### CERTIFICATE

The foregoing constitutes full, true, and plain disclosure of all material fact relating to the securities offered by this Prospectus as required by Part VII of the Securities Act, 1967 and the Regulations thereunder.

DATED at Vancouver, British Columbia this 8th day of November A. D., 1967.

"James A. Hanna"

James A. Hanna, President - Promoter

"John W. Drenka"

John W. Drenka, Treasurer - Director

"Jerry Ross Buzzelle"

Jerry Ross Buzzelle, Vice-President, Director

"Cyril Clyde Keyes"

Cyril Clyde Keyes, Director - Promoter

"Thomas William Connell"

Thomas William Connell, Secretary - Director

"Lawrence Patnode"

Lawrence Patnode, Director - Promoter

**COLLINS & COLLINS**  
CHARTERED ACCOUNTANTS  
1030 WEST GEORGIA STREET  
VANCOUVER 5, B. C.

AUDITORS' REPORT

To the Directors,  
Silver City Mines Ltd. (N.P.L.)

We have examined the balance sheet of Silver City Mines Ltd. (N.P.L.) as at September 30, 1967 and the statements of deferred expenditures and source and application of funds for the period from inception (May 20, 1964) to September 30, 1967. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of deferred expenditures and source and application of funds present fairly the financial position of the Company as at September 30, 1967 and its operations for the period from inception (May 20, 1964) to September 30, 1967, in accordance with generally accepted accounting principles.

*Collins & Collins*

Chartered Accountants.

October 3, 1967,  
Vancouver, B. C.

## BALANCE SHEET

ASSETS

|   |    |                 |            |
|---|----|-----------------|------------|
| <u>Cash in Bank:</u>                          |    | \$              | 192.48     |
| <u>Mineral Claims:</u> (Note 1)               |    |                 | 119,912.59 |
| <u>Fixed - at cost:</u>                       |    |                 |            |
| Office equipment                              | \$ | 166.35          |            |
| Mining equipment                              |    | 15,877.24       |            |
| Camp equipment                                |    | <u>1,114.53</u> | 17,158.12  |
| <u>Deferred Expenditures</u> - per statement: |    |                 | 103,278.45 |
| <u>Incorporation Costs:</u>                   |    |                 | 1,894.95   |

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\$242,436.59

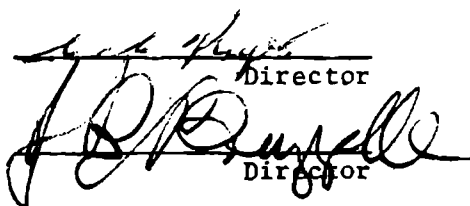
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- NOTES: 1. 750,000 shares of the company were issued at a deemed price of 10¢ each for certain mineral claims and option rights. The company exercised the option rights to the mineral claims by payment of \$28,610.00. The company has also staked certain other mineral claims.
2. The company has issued 51,000 shares for cash since February 28, 1967.

Approved on behalf of the Board:

  
 Director  
 Director

LIABILITIES

Current:

Accounts payable \$ 12,261.22

Long-Term Liability:

Due to shareholder 6,250.00

SHAREHOLDERS' EQUITY

Share Capital:

Authorized -  
5,000,000 shares, par value \$1.00 each \$5,000,000.00

Issued - (Note 2)

|   | <u>Par Value</u>      | <u>Discount</u>       |                   |
|---|-----------------------|-----------------------|-------------------|
| 750,000 shares for mineral claims and option rights | \$ 750,000.00         | \$ 675,000.00         | 75,000.00         |
| 842,739 shares for cash                             | <u>842,739.00</u>     | <u>695,568.40</u>     | <u>147,170.60</u> |
|   | <u>\$1,592,739.00</u> | <u>\$1,370,568.40</u> | <u>222,170.60</u> |

Donated Surplus: 1,754.77 223,925.37

\$242,436.59

## STATEMENT OF DEFERRED EXPENDITURES

Development and Exploration:

|                                       |             |              |
|---------------------------------------|-------------|--------------|
| Exploration and development contracts | \$21,157.27 |              |
| Wages                                 | 15,225.77   |              |
| Assessor and geologist fees           | 5,846.54    |              |
| Equipment maintenance                 | 4,846.03    |              |
| Camp operation and expenses           | 4,724.12    |              |
| Diamond drilling                      | 4,468.33    |              |
| Travel and transportation             | 4,136.25    |              |
| Stripping                             | 3,278.43    |              |
| Gas and oil                           | 2,716.33    |              |
| Expediting fees                       | 1,821.95    |              |
| Equipment rental                      | 1,537.45    |              |
| Pipes and materials                   | 1,128.87    |              |
| Road building                         | 994.68      |              |
| Workmen's compensation                | 825.70      |              |
| Small tools and hardware              | 651.30      |              |
| Freight and express                   | 577.61      |              |
| Powder and explosives                 | 522.80      |              |
| Sundry                                | 321.63      |              |
| Insurance                             | 309.00      |              |
| Timbering                             | 240.00      |              |
| Equipment storage costs               | 193.65      |              |
| Licenses and permits                  | 167.93      |              |
| Unemployment insurance                | 136.14      |              |
| Medical insurance                     | 59.10       | \$ 75,886.88 |

Administrative:

|                             |          |           |
|-----------------------------|----------|-----------|
| Travel and transportation   | 8,134.85 |           |
| Legal and professional fees | 5,366.47 |           |
| Salaries                    | 4,319.02 |           |
| Advertising and prospectus  | 2,959.87 |           |
| Telephone and telegraph     | 2,674.82 |           |
| Office rent                 | 1,510.00 |           |
| Postage and office supplies | 867.78   |           |
| Interest and bank charges   | 786.34   |           |
| Maps and photographs        | 402.20   |           |
| Sundry                      | 315.53   |           |
| Canada pension plan         | 54.69    | 27,391.57 |

\$103,278.45

SILVER CITY MINES LTD. (N.P.L.)

— from inception (May 20, 1964)  
to May 31, 1965

STATEMENT OF SOURCE AND APPLICATION OF FUNDS AND WORKING CAPITAL

Source of Funds:

|                            |                 |              |
|----------------------------|-----------------|--------------|
| Sale of shares             | \$ 24,918.49    |              |
| Advances from shareholders | <u>8,615.66</u> | \$ 33,534.15 |

Application of Funds:

|                       |                 |                 |                  |
|-----------------------|-----------------|-----------------|------------------|
| Mineral claims        |                 | 3,000.00        |                  |
| Deferred expenditures |                 | 27,205.74       |                  |
| Fixed assets          |                 |                 |                  |
| Office equipment      | \$ 106.40       |                 |                  |
| Mining equipment      | 13,272.93       |                 |                  |
| Camp equipment        | <u>1,114.53</u> | 14,493.86       |                  |
| Incorporation costs   |                 | <u>2,020.35</u> | <u>46,719.95</u> |

Working Capital Deficit

\$ 13,185.80

— for the period from June 1, 1965  
to February 28, 1966

Source of Funds:

|                |              |
|----------------|--------------|
| Sale of shares | \$ 68,275.46 |
|----------------|--------------|

Application of Funds:

|                               |                 |                  |
|-------------------------------|-----------------|------------------|
| Mineral claims                | \$ 20,797.00    |                  |
| Shareholders' loan repayments | 8,324.24        |                  |
| Deferred expenditures         | 25,025.67       |                  |
| Mining equipment              | 929.65          |                  |
| Incorporation costs           | <u>(125.40)</u> | <u>54,951.16</u> |

Change in Working Capital

13,324.30

Working Capital Deficit, May 31, 1965

13,185.80

Working Capital, February 28, 1966

\$ 138.50

SILVER CITY MINES LTD. (N.P.L.)

— for the year ended  
February 28, 1967

STATEMENT OF SOURCE AND APPLICATION OF FUNDS AND WORKING CAPITAL

Source of Funds:

|                       |                 |              |
|-----------------------|-----------------|--------------|
| Sale of shares        | \$ 33,576.65    |              |
| Shareholders advances | <u>1,463.35</u> | \$ 35,040.00 |

Application of Funds:

|                       |                 |                  |                  |
|-----------------------|-----------------|------------------|------------------|
| Mineral claims        |                 | 14,680.59        |                  |
| Fixed assets          |                 |                  |                  |
| Office equipment      | \$ 59.95        |                  |                  |
| Mining equipment      | <u>1,674.66</u> | 1,734.61         |                  |
| Deferred expenditures |                 | <u>24,970.75</u> | <u>41,385.95</u> |

Change in Working Capital (6,345.95)

Working Capital, February 28, 1966 138.50

Working Capital Deficit, February 28, 1967 \$ (6,207.45)

— for the period from February 28, 1967  
to September 30, 1967

Source of Funds:

|                       |                 |              |
|-----------------------|-----------------|--------------|
| Sale of shares        | \$ 30,500.00    |              |
| Shareholders advances | <u>6,250.00</u> | \$ 36,750.00 |

Application of Funds:

|                              |  |                  |                  |
|------------------------------|--|------------------|------------------|
| Commission on sale of shares |  | 10,100.00        |                  |
| Mineral claims               |  | 6,435.00         |                  |
| Deferred expenditures        |  | <u>26,076.29</u> | <u>42,611.29</u> |

Change in Working Capital (5,861.29)

Working Capital Deficit, February 28, 1967 (6,207.45)

Working Capital Deficit, September 30, 1967 \$ (12,068.74)

**ARCHER, CATHRO**

AND ASSOCIATES LTD

CONSULTING GEOLOGICAL ENGINEERS

CASCA BUILDING, WHITEHORSE, Y.T. 667.— 4113

BENTALL CENTRE, VANCOUVER, B. C. 688 — 3022  
OR 522 — 1562

POST OFFICE BOX 1708  
WHITEHORSE, Y.T.

SILVER CITY MINES LTD.

RESULTS OF

PRELIMINARY EXPLORATION PROGRAM

WHITE RIVER COPPER, Y. T.

June 22, 1967

R. J. Cathro, P. Eng.

Consultant

Whitehorse, Y. T.

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## SUMMARY AND RECOMMENDATIONS

The White River property of Silver City Mines Ltd. is located 220 miles northwest of Whitehorse, near the Yukon-Alaska boundary. It is 15 miles from the Alaska Highway at a point 300 road miles from the seaport of Haines, Alaska.

The property was discovered in 1905 and has received only sporadic conventional prospecting since that time. A thick, frozen blanket of pumice has been the major obstacle to exploration but modern equipment and techniques can be used to locate and evaluate areas of mineralization.

The copper was probably introduced syngenetically in the Triassic Mush Lake volcanics and later remobilized and concentrated by metamorphism into structurally controlled zones. Bornite appears to be the primary copper mineral but a surface enriched zone to an unknown depth contains chalcocite, native copper and minor copper oxides. A mill concentrate from this material would be expected to grade between 50<sup>0</sup>/o and 75<sup>0</sup>/o copper.

The potential of the property remains untested and further work is warranted because of the rich mineralization, accessible location, excellent outlook for copper prices and the possibility of large tonnages of open pit ore.

The next stage of exploration should consist of bulldozing, further soil sampling and 2000 feet of diamond drilling to delineate and sample the discovery showing. This is estimated to cost \$60,000.00 If the results of this program are encouraging, deep soil-sampling beneath the pumice and an Induced Polarization geophysical survey should be conducted over the remainder of the property underlain by the favourable volcanics in order to locate new mineralized zones for drill sampling.

## INTRODUCTION

Between May 19 and June 14, 1967, geological mapping, an orientation geochemical survey and test EM survey were carried out on the White River property of Silver City Mines Ltd. under the writer's direct supervision. Background information is taken mainly from G. S. C. Memoir 50, Upper White River District, Yukon, D. D. Cairnes, 1915; G. S. C. Memoir 267, Geology of Northwest Shakwak Valley, Y. T., H. S. Bostock, 1952; G. S. C. Memoir 340, Kluane Lake Map Area, Y. T., J. E. Muller, 1967; U. S. G. S. Bulletin 417, White River-Nabesna District, Alaska, Moffit and Knopf, 1910; and G. S. C. Aeromag Map 4260, Canyon City Y. T., 1966.

## LOCATION AND ACCESS

The property lies within N. T. S. mapsheet 115 F-15, at 61<sup>0</sup>47'N and 140<sup>0</sup>48' W, about 6 1/2 miles east of the Alaska Boundary and 15 miles north of the main front of the St. Elias Mountains. It is 220 air miles northwest of Whitehorse, the nearest aircraft charter base, and 15 air miles from the nearest road point, mile 1168 (White River Lodge) on the Alaska Highway. By road, White River Lodge is 250 miles from Whitehorse and 300 miles from the seaport of Haines, Alaska. The claims straddle White River at Upper Canyon and extend east to the Klutlan (Generec) River.

The only access at present is by helicopter or by aircraft landing on Rifle Lake. This lake will accommodate a well-loaded Beaver with a north wind. A 20 mile winter road could be constructed to the property without difficulty. However, it is virtually isolated to land traffic during warm weather because of its location between the two rivers. Both rivers are glacially fed (rising up to 2 or 3 feet in a single day during summer runoff), milky, and follow braided, shifting courses in wide flood plains.

PROPERTY

The Silver City Mines property covers an area of about 15 square miles and comprises 172 contiguous un-patented mineral claims. An original Crown Grant, "Lost Treasure" (lot 15, grant 901), issued in 1916 and owned by the North American Transportation and Trading Co., of Chicago, lies within the boundaries of the Silver City property. It is some distance from the known showings and is not known to contain anything significant.

| <u>Claim Name</u>  | <u>No. of Claims</u> | <u>Expiry Date</u> | <u>Grant No.</u> |
|--|----------------------|--------------------|------------------|
| Marc 1, 3, 5, 7 -<br>16, 19 - 20, 22 -<br>66, 68, 70 - 78. | 70                   | July 26, 1968      | Y4991 - Y5044    |
| Marc 2, 4, 6, 17 -<br>18; 21, 67, 68.                      | 8                    | July 26, 1969      | Y5216 - Y5237    |
| Marc 80 - 114  | 35                   | July 26, 1968      | Y5239 - Y5273    |
| Marc 120 - 136   | 17                   | July 26, 1968      | Y5279 - Y5295    |
| Slaggard 1 - 2   | 2                    | Sept. 4, 1969      | 90561 - 90562    |
| Goldenhorne 1 - 4  | 4                    | Sept. 4, 1969      | 90563 - 90566    |
| KC 5 - 8, 13 - 20,<br>73 - 76                              | 16                   | January 11, 1968   | Y11670 - Y11686  |
| KC 1 - 4, 9 - 12,<br>21 - 32                               | 20                   | April 5, 1968      | Y12359 - Y12378  |
| TOTAL  | 172                  |                    |                  |

HISTORY

Native copper had been traded and used by Indians in the Upper White River region for centuries before it was first reported by Hayes, in 1892, from Kletsan Creek, a tributary just inside Alaska. Placer miners prospected the area for copper and gold during the next decade and most of the early copper discoveries were nearer the headwaters of the White River, in Alaska. The Silver City property was first staked in 1905.

Few records exist of early activity in the area, but the fact that Canyon City consisted of only half a dozen cabins in 1912 indicates that exploration activity was short-lived. In 1913, a small but furious gold rush in the neighbouring Chisana district of Alaska attracted more prospectors to the White River area but no further significant copper discoveries were made.

No records exist of further interest in the property until 1943 when Harry Townsend staked two claims, Molly and Carita, to cover the original workings. Townsend was an American field engineer for Anaconda who worked on the property privately. The Canalask nickel-copper property, 15 miles northeast, was discovered in late 1952 and subsequently drilled by Prospector's Airways and Canalask Nickel Mines Ltd. This probably stimulated the staking, in April 1954, of 32 claims surrounding Townsend's claims by Waddington Mining Corp. and Golden Slipper Mines Ltd. In October of that year, an additional 72 claims were staked. All claims lapsed a few years later.

The discovery showings were then staked in 1962 and finally restaked by Rivers in August 1964. Most of the Silver City claims were staked in April, 1966.

PREVIOUS WORK

Most of the early work was done on the Discovery Copper Grant, now staked as Goldenhorne No. 1 claim. When Cairnes visited the property in 1913 for the G. S. C., three adits had been driven distances of 30, 20 and 20 feet respectively near a large slab of native copper found in the overburden. These adits can still be seen but only one, about 30 feet long, is open. It was driven beside a large open cut just above the slab and shows no mineralization. The other two adits are badly caved, but, from the size of the dumps, each is estimated to have reached an ultimate length of at least 50 feet. Specimens of rich mineralization are scattered downslope from these adits. The large slab, weighing 2590 pounds, was moved to Whitehorse in the winter of 1957 - 58 by the Yukon Historical Society and is now located at the McBride Museum.

In addition to the adits, a great deal of open cutting was done and the river bank was well prospected for native copper. A large quantity of nuggets and slabs, perhaps 5 to 10 tons, was found. Part of this was stock-piled at Canyon City and the remainder was presumably removed by collectors or lost in the river during rafting attempts.

An adit and shaft, now caved, were driven further uphill towards Rifle Lake, on Goldenhorne No. 2 claim. No mineralization can be seen in the vicinity. A flume ditch started from the outlet of Rifle Lake (La Feu Creek) probably dates from about the same period. An old adit, some 20 feet long, is reported by Rivers to be present on the Lost Treasure Grant claim close to the river. It was not found by the writer although only a cursory search was made for it as the canyon at the point is precipitous.

The only evidence of previous modern exploration of the property is a base line, 11,000 feet long in a N - S direction, near the flume ditch. An insulated wire on the line suggests that some type of electrical survey was done.

GEOLOGY

General

Except for a few scattered outcrops near Rifle Lake, the only bedrock exposed on the property is in Upper Canyon. Three separate rock units have been mapped. Due to lack of outcrop and the lack of attitudes in the volcanics, the exact lithological sequence is rather indefinite. The rock units present are (after Muller):

|                          |                       |  |
|--------------------------|-----------------------|--|
| Upper Triassic           | Mush Lake Group       | Andesite and basalt flows, often amygdaloidal or porphyritic, green to purple, strongly altered.                                 |
| Lower Permian (or older) | Cache Creek Group (?) | <u>Sedimentary Division</u><br>Siltstone, shale, limestone pebble conglomerate.<br><u>Volcanic Division</u><br>Tuff, greenstone. |

Cache Creek Group

Volcanic Division: Two distinct sub-units are present: an older tuff and a younger, altered flow. The former is a siliceous, glassy, green rock with good to poor bedding and blocky jointing. It was seen only

on the west side of the canyon. The greenstone occurs there as well and also at the base of the west side of Slaggard Ridge, on the east shore of Rifle Lake. It is a dark green, metamorphosed volcanic flow comprised largely of biotite, pyroxene and feldspar.

Sedimentary Division: The contact between volcanics and sediments seems to be conformable and gradational. The transition zone is poorly exposed but is represented by tuff, mudstone, and tuff-cemented pebble conglomerate on the west side of Slaggard Ridge. The lower part of the division is mostly thin-bedded argillaceous limestone and limy shale, well exposed on the east side of the canyon, upstream from the discovery workings. Above this is a thick-bedded, massive dolomitic limestone, best seen at the southwest side of Rifle Lake. At the top of the sequence is more thin-bedded silty limestone similar to that at the bottom.

### Mush Lake Group

This unit consists of green to red and purple amygdaloidal andesite and basalt with minor amounts of tuff and massive green basalt. The rocks are highly sheared and altered where seen near the discovery workings, and display few bedding features. Incipient metamorphism to the greenschist facies is common with secondary epidote, chlorite, carbonate and chalcedony present in veinlets or vesicles. The Mush Lake Group lies unconformably on the Cache Creek Group elsewhere in the district and this unconformity was observed near the mouth of Boulder Creek where flows overlies strongly folded limestone.

### Intrusives

No granitic rocks outcrop on the property but a small granodiorite batholith forms the mountainous east wall of the Klutlan River. Aeromag evidence suggests that the intrusive may underlie this river and also the broad, low plain at the east end of the Silver City property. Two aeromag anomalies are found within this low plain but their cause cannot be determined because of the thick overburden cover.

### Structure

A major west-dipping thrust fault, the Generc-Tchawsahmon Fault, is postulated by Muller from regional considerations along the east scarp of Slaggard Ridge. Evidence exists for two other strong faults at the property, one crossing White River Upper Canyon at a shallow angle, separating Cache Creek volcanics from Mush Lake rocks; the other following the north-striking east side of Rifle Lake. The former fault was considered by Muller to be a thrust fault branching off the Generc-Tchawsahmon Fault, but little conclusive evidence exists for this. Air photo lineations, aeromag data and the present drainage features suggest that many more faults cross the property.

Block faulting and tilting is suggested by repetition of the limestone-volcanic contact. Locally, folding seems to be complex but the lack of bedding features in the volcanics prevent a satisfactory explanation:

### Glaciation

The present topography is mainly a result of recent glacial action. Slaggard Ridge, the highest elevation on the property, was once the floor of a wide valley carved by the Ruby Ice Sheet. Later, during the St. Elias Glacial Advance, Klutlan Glacier advanced almost to the Shawkak Valley, scouring a broad northwest trending valley to Tchawsahmon Lake. The west side of the glacier passed close to the site of Canyon City and carved the abrupt east slope of Slaggard Ridge. At the same time, Russell Glacier advanced to about the top of the Upper Canyon from the headwaters of the White River in Alaska.

A large terminal moraine was formed by the Klutlan Glacier about six miles downstream from the present junction of the White and Klutlan Rivers. Until the White River was able to cut its way through this dam, a glacial lake was formed and lacustrine clay was deposited up to 100 feet above the present river elevation. Concurrent uplift of the St. Elias Range and Coast and rapid runoff and retreat of the glaciers caused the White River to swiftly cut its way down some 300 feet and form the Upper Canyon. The resulting river gravels, combined with the outwash from the retreating Klutlan Glacier has produced the present wide flood-plains below the Upper Canyon.

White River may have flowed through Rifle Lake at one time as the river appears to have followed fault scarps throughout this period of rejuvenation.

### Recent Volcanic Pumice

In geologically recent times, a volcanic explosion occurred in the southwestern corner of the Yukon. The exact location has not been pinpointed but is believed to be at the foot of the Natazhat Glacier, 12 miles southwest of Rifle Lake. The date of the explosion was between 200 and 500 AD (1450 to 1750 years ago).

The material produced by the explosion ranged in size from coarse fragments of pumice near the crater to very fine ash further away, and was rhyolitic to dacitic in composition. The ash was dispersed by prevailing winds into two large fans, one stretching 450 miles east and the other 250 miles north. The thickness of the layer naturally decreased with distance from the source.

On the Silver City property, the pumice is subangular to rounded, somewhat spongy, creamy white and generally about 1/16 inch in size. A few fragments up to 1/4 inch in length are seen but size is generally uniform with no indication of graded bedding. Average thickness of the layer is from one to two feet but appears to vary quickly from almost nil to an unknown maximum thickness. Following deposition major dust storms undoubtedly developed and most accumulations over 2 feet in thickness are due to wind action rather than water.

Only on steeper slopes and sharp ridges has the pumice been blown or washed away to expose the mature soil profile and outcrop present before the explosion. The pumice blanket is tightly cemented by permafrost and insulated by a thick, widespread moss layer and is a major exploration obstacle.

East of Slaggard Ridge, prominent flow lines can be seen in aerial photos, probably representing sheet wash accumulations of pumice on the almost level slope.

### MINERALIZATION

The only confirmed source of mineralization on the property is from the immediate vicinity of the discovery workings in Upper Canyon. Mineralization has been rumoured to occur on the Klutlan River, on the Lost Treasure Crown Grant, and in Boulder Creek but was not seen in these locations during the present survey.

Most of the discovery workings are now badly caved and slumped. They consist of at least three adits and a number of pits and open cuts. Bedrock is partially exposed by several true outcrops, one of the adits and several pits. Only minor amounts of copper mineralization can actually be seen in place. On the other hand, rich mineralization is common in the adit dump material. Pieces of native copper can still be found in the overburden in the form of rough slabs, irregular dendritic forms, and rounded nuggets. It is likely that the bulk of the native copper removed from the property was found at the foot of the hill along the river.

Copper is present in two principal forms: (1) as native metal in the overburden, and (2) as intimate chalcocite-bornite mixtures, replacing and filling fissures and veinlets in the amygdaloidal flows. Chalcocite appears to have formed by alteration from bornite but this has not been confirmed by microscopy. Contacts of the veinlets and wall rocks are sharp. Calcite is usually associated with the copper sulfides. The lack of exposures of sulfide veinlets in place prevents a study of the fracture system or a useful sampling program.

Two other minor, but perhaps significant types of copper occurrences were noted. Occasional fine flecks of native copper were seen in pieces of volcanic wall rock on the dump and, in one outcrop, two small patches of chalcopyrite were seen replacing volcanics. Copper oxides, mainly azurite and malachite with lesser amounts of cuprite, are widespread.

For many years this deposit was considered to consist of veinlets and flecks of native copper. The nuggets and slabs found by early prospectors in the river bank were traced uphill in the conventional manner to their supposed source. It is significant that most of the pits and adits failed to encounter copper and the one adit which did intersected sulfides rather than native metal.

During this mapping program, fist-size nuggets were found on the uphill edge of the discovery showings indicating that another mineralized zone exists uphill. It is even possible that the source of all the native copper is uphill and has not yet been found.

The writer is of the opinion that much, if not all, of the native copper in the area has precipitated in the overburden after being released in solution by the weathering of buried sulfide mineralization.

Mineral deposits in this area would be expected to exhibit surface enrichment due to oxidation, probably related to the older topography which has been modified by the Ruby glaciation and rejuvenation of White River. Native copper can be expected at surface, rapidly giving way to chalcocite and finally bornite at depth. Copper concentrate from the upper few hundred feet could thus be expected to carry from 50 to 75 percent copper. Cairnes felt that chalcopyrite was likely the primary sulfide rather than bornite. It is the writer's opinion that there is insufficient evidence on which to make this assumption and that until the relationship between the chalcopyrite and bornite can be studied the composition at depth will remain a mystery. A representative hand picked specimen of chalcocite-bornite replacement mineralization assayed 11.4 % Cu., trace gold, and 0.44 oz/ton silver, indicating that precious metal content is low.

The association of copper with Upper Triassic volcanics is widespread in the southwest Yukon. There seems little doubt that in the White River area, syngenetic copper in the flows was mobilized by metamorphism and deformation to become localized in structurally complex zones.

### GEOCHEMICAL SURVEY

Three test pits were dug in separate locations to examine the overburden profile of the property. The average profile, from top to bottom is as follows:

1. 3 inches to 6 inches moss and peat derived from recent surface vegetation.
2. 1 foot to 2 feet of pumice varying from brown to white in color.
3. 4 inches to 8 inches of organic soil and peat representing the pre-eruptive vegetation.
4. A clay horizon, possibly a true "B" horizon, of undetermined thickness.

In all cases, the soil was permanently frozen within a few inches of surface. Little thawing of this permafrost can be expected during the summer because of the insulating surface layer of moss and peat.

On the basis of the test-pits it was decided that reconnaissance soil sampling to the "B" horizon could not be done with hard tools, and the program was restricted to (1) an orientation survey in the vicinity of the old showings, and (2) reconnaissance silt sampling along the steep east bank of the Upper White River Canyon and

the West side of the Klutlan River.

- (1) Orientation Survey: The orientation survey was made possible by the fact that the old showings occur on a steep slope where much of the pumice has been washed away or has been partially mixed with soil by downhill slumping. Permafrost in this area was less intense due to a general absence of moss. Samples were taken on 100 foot centres on lines running up and down the hill and an area of about 1500 feet by 700 feet was covered. A distinct soil anomaly was found along a length of approximately 500 feet, parallel to the hillside, just below the two uppermost adits. This anomaly extends downhill almost to the river (about 500 feet) and tends to fan out on the lower edges. Rock chips taken from outcrops near the old showings assayed between 110 p.p.m. and 3100 p.p.m. copper while rock chips from the same formation elsewhere on the property assayed between 50 p.p.m and 153 p. p. m. copper.
- (2) Silt Sampling: All streams draining the property west into White River Canyon and east into Klutlan River were silt sampled. No anomalies were located but the effectiveness of this sampling is questionable, particularly along the bank of the Klutlan River because the streams generally flow through lacustrine clay and silt deposits of unknown thickness.

The limited geochemical exploration conducted to date indicates that soil sampling will be an effective exploration tool – as long as the ‘ B’ horizon, below the ash and pre-eruptive vegetation layer, is sampled. For most of the property bulldozing or overburden drilling will be required for this job. It is the writer’s experience that power augers or their equivalent cannot be effectively used where the permafrost is heavy.

#### GEOPHYSICS

A test electromagnetic (EM) survey, using a Ronka EM16 instrument, was conducted over the grid lines in discovery area by H. S. Aikens of P. H. Sevensma Consultants Ltd. A zone of weak conductivity striking about N20°W was found just downhill from the upper adits. Although this response was very weak it could represent a zone of mineralization as, at best, this type of deposit is only expected to respond weakly to electromagnetic techniques. The full significance of this survey will not be known until the extent of the mineralization is determined by diamond drilling.

The only magnetically responsive rocks encountered during outcrop mapping are located in the lower Cache Creek Group at the north end of Slaggard Ridge. Visible disseminated magnetite was noted in one outcrop.

#### CONCLUSIONS

Due to adverse surface conditions, conventional prospecting proved unsuccessful over the years in evaluating the White River copper showings. Except for the fortuitous location of the Upper Canyon even the known showings would have remained undiscovered under the thick cover of pumice.

The initial exploration program has proven that soil geochemistry can locate mineralized areas and has suggested that electro-magnetic surveys may be effective in detecting and tracing mineralized zones. The program has further shown that the rocks of economic interest are the Mush Lake volcanics and that mineralization has concentrated in structurally complex areas within this formation. Regional mapping and airphoto interpretation indicates that additional structurally complex areas, favourable for mineralization, are possible within the overburden covered parts of the property.

The richness of the known mineralization, the good outlook for copper price, the unexplained source of the native copper float, and the favourable location of the property in relation to existing transportation routes makes further work attractive.

Further work falls naturally into two programs: (1) the evaluation of the discovery showing, and (2) exploration of the property of other areas of mineralization. Evaluation of the discovery showing can only be done effectively by diamond drilling. Exploration efforts on the remainder of the property should concentrate on that part underlain by the Mush Lake volcanics. The only feasible approach is a combination of deep soil sampling and geophysics followed by drilling.

The next stage of exploration should consist of bulldozing, further soil sampling and 2000 feet of diamond drilling to delineate and sample the discovery showing. This is estimated to cost \$60,000.00. If the results of this program are encouraging, deep soil-sampling beneath the pumice and an Induced Polarization geophysical survey should be conducted over the remainder of the property underlain by the favourable volcanics in order to locate new mineralized zones for drill sampling.

White River Copper Property:

|  |                     |
|--|---------------------|
| Diamond Drilling                       | \$ 25,000.00        |
| Bulldozing and Trenching               | 15,000.00           |
| Geochemical Survey                     | 2,000.00            |
| Consulting Engineering and Supervision | 5,000.00            |
| Transportation                         | 4,000.00            |
| General Administration                 | <u>4,000.00</u>     |
|  | \$ 55,000.00        |
| Contingencies                          | <u>5,000.00</u>     |
| Total Estimated Cost                   | \$ <u>60,000.00</u> |

Respectfully submitted,

ARCHER, CATHRO & ASSOC. LTD.

"R. J. Cathro"

R. J. Cathro, P. Eng.

**CONSULTING GEOLOGICAL ENGINEERS**

CASCA BUILDING, WHITEHORSE, Y.T. 667 – 4113

BENTALL CENTRE, VANCOUVER, B. C.  
688 - 3022  
OR 522 - 1562

POST OFFICE BOX 1708  
WHITEHORSE, Y. T.

June 22, 1967.

**CERTIFICATE**

I, Robert J. Cathro, with business and residential address in Whitehorse, Yukon, do hereby declare that:

- (1) I am a consulting geological engineer.
- (2) I am a graduate of the University of British Columbia, 1959.
- (3) I am a registered professional engineer in the Yukon and British Columbia.
- (4) From 1959 to 1966 I was engaged in mining and exploration geology and held positions of responsibility with United Keno Hill Mines Ltd., Giant Yellowknife Mines Ltd., and Eldorado Mining and Refining Ltd.
- (5) I have personally studied the maps and reports referred to in this report and supervised the exploration of the White River Copper property owned by Silver City Mines Ltd.
- (6) I have no interest, nor do I expect to receive any interest, direct, or indirect, in any properties or companies referred to in this report.

Respectfully submitted,

“R. J. Cathro”

R. J. Cathro, B.A.Sc., P. Eng.

REPORT ON THE  
SILVER CITY GROUP  
Dawson M.D., Y.T.  
116-B-5, 64°20'N, 139°52'W

of

SILVER CITY MINES LTD.

by

P.H. SEVENSMA, Ph.D., P.Eng.

June 27, 1967

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- Figure 2 Topographical map, 1" = 500'

REPORT ON THE  
SILVER CITY GROUP  
of  
SILVER CITY MINES LTD.

1. INTRODUCTION

At the request of Mr. J.A. Hanna, President of Silver City Mines Ltd., the writer has examined the Silver City property 25 miles NW of Dawson City of June 18th, 1967 and reviewed the results of all work to date..

As a result, it is recommended that the hitherto neglected NE section of the property be prospected in detail for a period of at least one month at a total cost of \$4,000; if the rumored presence of silver-lead float in this area can be confirmed, the potential of the property will be considerably enhanced.

This program can be usefully expanded by bulldozer prospecting on the South part of the Ice claims if assessment requirements are to be met.

2. PREVIOUS REPORTS

The following reports were available to the writer:

(a) 1902 - 1905 (Photocopies) Petition for Government Tunnelling Assistance by Jeremiah J. O'Neill and partners, relating to their 3 claims Australian Girl, Yukon Beauty and Highland Chief.

Some 650' of tunnel and 50' of raising were reported. Highest assay: 800 oz/t Ag. 75% Pb, \$12.00 Au per ton. Longest tunnel: 550'

(b) 1928 Cockfield, Fifteenmile River area, Silver City (G.S.C.)

(c) September 1953 J.F.V. Millar, Mining Engineer for Y.C.G.S.

(d) May 1963 Ken Rose, for Newmont Mining Corporation.

(e) May 1963 C.J. Brown for White Pass and Yukon Route.

(f) July 1964 Dr. W.V. Smitheringale, for Silver City Mines Ltd.

(g) August 1964 Ace R. Parker, for Silver City Mines Ltd.

(h) February 1965 Dr. L.H. Green, G.S.C.

(i) August 1965 Ace R. Parker, for Silver City Mines Ltd.

(j) September 1965 A.W. Poole, for Silver City Mines Ltd.

(k) July 1966 Exploration Geophysics (Yukon) Ltd.

J.E.M. horizontal loop EM survey.

### 3. HISTORY

Staked in May 1902 by Jeremiah J. O'Neill and Associates, who drove about 700' in two tunnels and a raise and reported assays up to 800 oz/t Ag, but stopped work about 1906.

In 1926, the claims were restaked and high grade silver float was found.

In 1929, J. Risco drove two adits; in 1930, P. Rost is said to have shipped 5 tons of ore and another 15 tons or so are said to have been shipped at other periods.

In 1962-1963, the property was revived by W. Kaufmann, who extended Risco's adit and since that date, Silver City Mines Ltd. did additional underground work, considerable surface sluicing and some underground drilling, and had an EM survey run by Exploration Geophysics (Yukon) Ltd. in 1966.

At the time of the writer's visit on June 18th, 1967 the property was dormant.

### 4. LOCATION AND ACCESS

On the North bank of the Yukon River, 25 miles downstream from Dawson City, and 2 - 3 miles downstream from the mouth of the Fifteenmile River. (Figure 1).

This is on claim Sheet 116-B-5, Latitude 64°20'N, Longitude 139°52'W, Elevation 1000' - 3100'

The trip by small river boat takes about 1 hour 20 minutes downstream and 2 hours 40 minutes upstream from and to Dawson City.

There is good timber and plenty of water in the river valleys, but little water in the hills at higher elevations.

There is a good cabin and a plywood bunkhouse on the river bank, and a steep truck-road leads to the most recent tunnel about 425' above the river level.

5. PROPERTY

The property consists of 96 claims, as follows:

| <u>Names</u>                                       | <u>Grant Nos.</u>   |
|--|---------------------|
| Seven claims covering the original discovery area: |                     |
| Eureka   | 57764               |
| Silver King  | 78604               |
| Silver Dollar                                      | 78605               |
| Apex 1, 2 and 4                                    | 78606, 78607, 78609 |
| Argentum   | 78610               |

Eighty-nine located claims:

|                   |                                    |
|-------------------|------------------------------------|
| Silver City 1 - 4 | 79191 - 79194                      |
| Silver Star 1 - 3 | 79195 - 79197                      |
| Star 1 - 8        | 79198 - 79201 and<br>79226 - 79229 |
| Gin 1 - 14        | 79202 - 79223                      |
| Rum 1 - 10        | 79210 - 79217 and<br>79224 - 79225 |
| Key 1 and 2       | 76322 & 76539                      |
| Ice 1 - 48        | 87322 - 87369                      |

6. GEOLOGICAL STRUCTURE

The claim area lies on the North flank of an E-W trending anticline with a 10 - 30° Westerly plunge, in sedimentary-volcanic formations dipping between 10° and 40° North.

There is some pronounced E-W near-vertical faulting, i.e. about parallel to the river.

Rhyolite porphyry occurs, probably as an intrusive.

The float area occurs on the lower 500' of the slope, which rises over 2000' at an overall angle of about 27° from the Yukon River.

This slope is an area of multiple slides, caused by a combination of steep faults parallel to the river, lower slopes in schistose rocks and upper slopes in harder quartzitic and volcanic rocks. Gentle cross folding along more Northerly axial planes is indicated.

The Tintina Fault lies about five miles North of the Yukon River in this location.

## 7. LITHOLOGY

The upper parts of the slope exhibit quartzites and argillaceous members, overlying light to dark grey-green dioritic rocks, which in turn overlie a light-brown weathering quartz-dolomite rock with both malachite and occasional nickel stain.

There is a relatively thick section (perhaps 100') of sericite-graphite schists, which appear to overlie the dioritic rock in some areas, and to be interbedded with quartz-carbonate rock in other areas.

As the property has never been mapped geologically and has been severely affected by a number of slides, none of the relationships have been established factually as yet.

The quartz-carbonate rock is the most significant member and is the host rock of all the reported mineralized occurrences; all available reports suggest that this mineralization is about parallel to the bedding, but it could well be associated with more northerly trending cross faults, or, perhaps with one or more of the steep E-W or ENE trending faults, one of which was intersected in a tunnel, showing a 2½' wide fault-gouge.

The rhyolite-porphry forms a big, coarse talus slope with blocks of up to 8' in diameter. It is located in place in a large patch, suggesting a crosscutting rather than a sill-like body.

## 8. MINERALIZATION

Galena, tetrahedrite, sphalerite, chalcopyrite and siderite have been reported, associated with quartz-carbonate rock.

The quartz-carbonate rock is of the type normally associated with serpentinized ultrabasics in many areas, and the dioritic "volcanic" is therefore believed to be a phase of an ultrabasic intrusive.

The aeromagnetic map (116-B-5, G.P. 4298) shows that no significant magnetism is associated with this body of presumably ultrabasic rock in the tunnel area.

A relatively weak magnetic high on the West edge of the property trends across the river, where it is associated with asbestos fibre occurrences on the W.C. Group held by Sphere Explorations on Woodchopper Creek, suggesting the presence of ultrabasic rock on the Gin Group of claims.

Another weak anomaly lies over part of the Rum and Ice claims.

In the absence of any geological mapping it is not certain whether the observed fault zones are normal or reverse, and no satisfactory hypothesis on possible mineral control can be developed.

The quartz-carbonate rock is nowhere known to be a significant host rock in the various belts of serpentines known in the NW Pacific; the quartzite-argillite-graphite-sericite schist assemblage has a potential, proven elsewhere, to contain strata-bound sulphide deposits as well as crosscutting silver-bearing occurrences.

The most significant mineral occurrences reported on the property are high-silver low-lead ones.

Amongst the 50 odd old assays listed, which have never any width or other size quoted, there are only five which exhibit a low silver-lead ratio of less than one, with the majority having ratios of from 5 to 10.

These values suggest strongly that the silver is related to tetrahedrite-bearing galena occurrences; these tend to occur in crosscutting features rather than along the bedding.

As for size, the extent of the various slides is such that a deposit of economical size could be entirely hidden under the thick cover of slide, which is about one mile long.

## 9. POTENTIAL

The work done to date has proven to be high cost and has not provided any new insight into the economic potential of the original discoveries. The latter, however, suggest the possibility of economic silver-lead veins in the area.

It should be stressed that there are persistent rumors that coarse galena float has been encountered in placer test pits on one of the two creeks flowing into Fifteenmile River on the NE part of the Ice claims. These pits were dug many years ago, probably in the early 1900's.

It is strongly recommended that both these creeks be carefully prospected by an experienced and aggressive two-man prospecting party, capable of recognizing old pits of this type.

If this work is successful, the potential of the property would be considerably enhanced and further follow-up work would be justified.

If anything suggests that additional work should be done on the slope above the Yukon River, this slope should be geologically mapped in detail on a scale of 1" = 200', using a number of surveyed reference points, before any other more extensive programs are considered.

Particular attention should be paid to the rhyolite porphyry, which could have an important control on the mineralization.

## 10. SUMMARY AND RECOMMENDATIONS

Even in the absence of officially certified records, it is certain that the area covered by the present Silver City claims has revealed an unusual quantity of high-silver float during a period of about 65 years of intermittent prospecting, suggesting that a significant silver-lead deposit could be present.

Anywhere from 5 to 22 tons of hand-sorted float is said to have been shipped, probably averaging in the vicinity of 200 oz/t Ag.

In the general frame-work of the economic geology of the Yukon, the area is a definite silver anomaly of interest.

The morphology of the float area does not lend itself to any further programs of physical work without detailed geological guidance.

It is therefore strongly recommended that the two creeks on the NE part of the property be carefully prospected for galena float near old placer test pits, this work to be supplemented by silt and soil sampling. A sum of \$4,000 should be set aside for this program, which two experienced men should complete in a period of from one to two months.

Before any further programs are considered in the slide area, this slope should be geologically mapped in detail on a scale of 1" - 200' using a few permanent, identifiable survey stations for tie-in of geological features and old workings.

This program, requiring two men for about six weeks at a total cost of \$6,000, will be fully justified if the recommended prospecting venture is successful.

If assessment requirements are to be met at some date before any large program has been prepared, prospecting with a bulldozer on the Ice claims, starting just West of the mouth of the Fifteenmile River, is recommended at a cost of about \$5,000 and confined to the slopes with a Southerly exposure. This program could be combined with the recommended prospecting program.

## 11 COST SUMMARY

### Phase I

|   |          |
|---|----------|
| (a) Prospecting NW part of Ice claims               | \$ 4,000 |
| (b) Bulldozer prospecting, south part of Ice claims | 5,000    |

### Phase II

|                        |                 |
|------------------------|-----------------|
| (c) Geological mapping | <u>6,000</u>    |
| Total exploration work | <u>\$15,000</u> |

The cost of further development of the property cannot be estimated at

present, as the scope of such work will depend upon the results of the recommended prospecting program .

Respectfully submitted,

"P. H. Sevensma"

P.H. Sevensma, Ph.D., P. Eng.

PHS/lz

June 27, 1967

CERTIFICATE

I, PETER H. SEVENSMA, of Vancouver, B.C., do hereby certify that:

1. I am a graduate of the University of Geneva, Switzerland (Physics and Chemistry, 1937; Geology and Mineralogy, 1937) where I obtained my Ph.D. in Geological and Mineralogical Sciences in 1941.
2. I am a Consulting Geological Engineer and a registered member in good standing of the Association of Professional Engineers in British Columbia and of the Association of Professional Engineers of Yukon Territory.
3. From February 1948 until December 1965 I have been engaged continuously in mining and exploration geology in the employ of Cominco Ltd. As a Senior Exploration Geologist, I have worked extensively both in Eastern and Western Canada.
4. I have personally examined the property which forms the subject of this report on June 18th, 1967
5. I have not received or acquired, nor do I expect to receive or acquire, directly or indirectly any interest in any of the properties or securities of Silver City Mines Ltd.

Respectfully submitted,

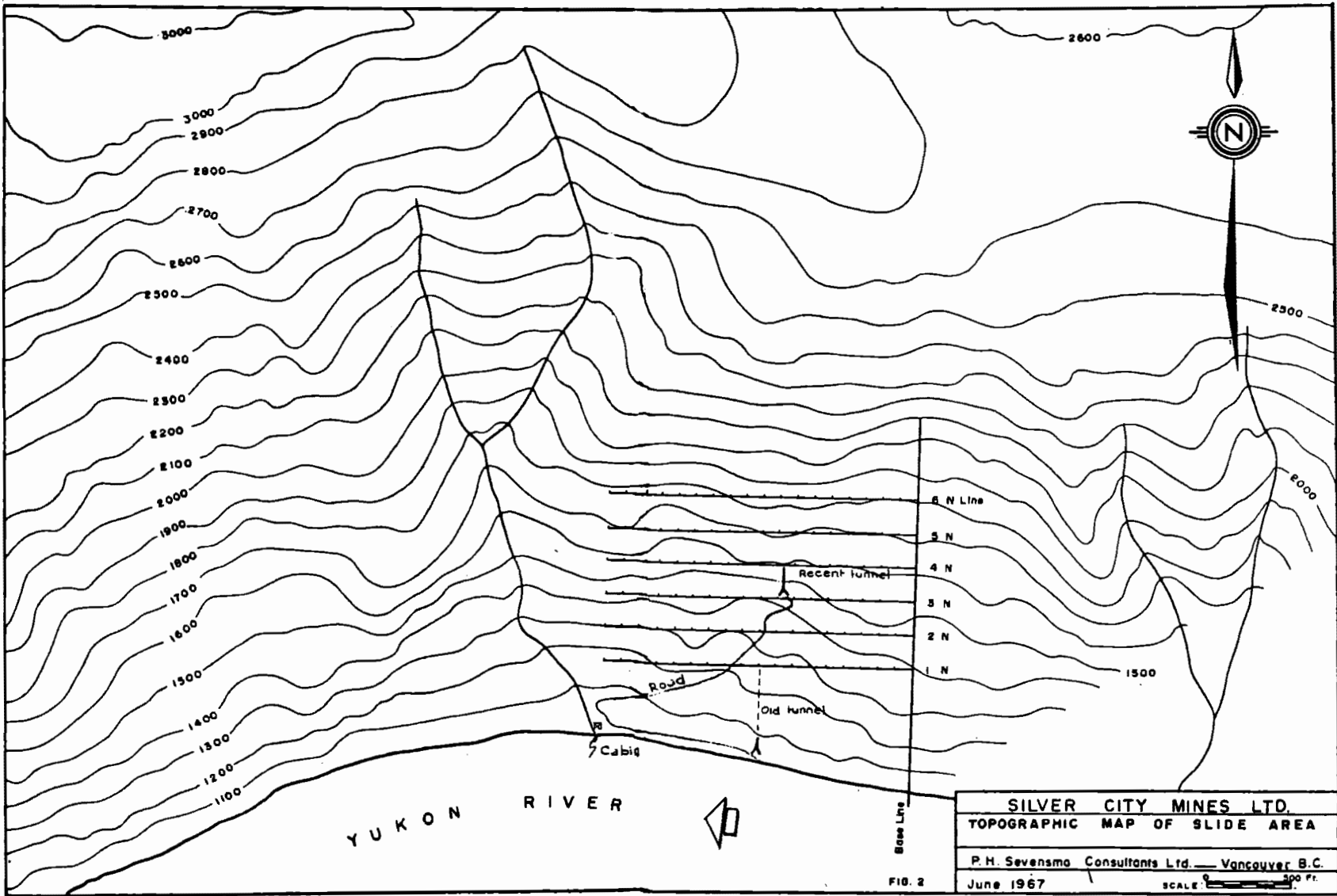
"P. H. Sevensma"

P.H. Sevensma, Ph.D., P. Eng.

June 27, 1967

&

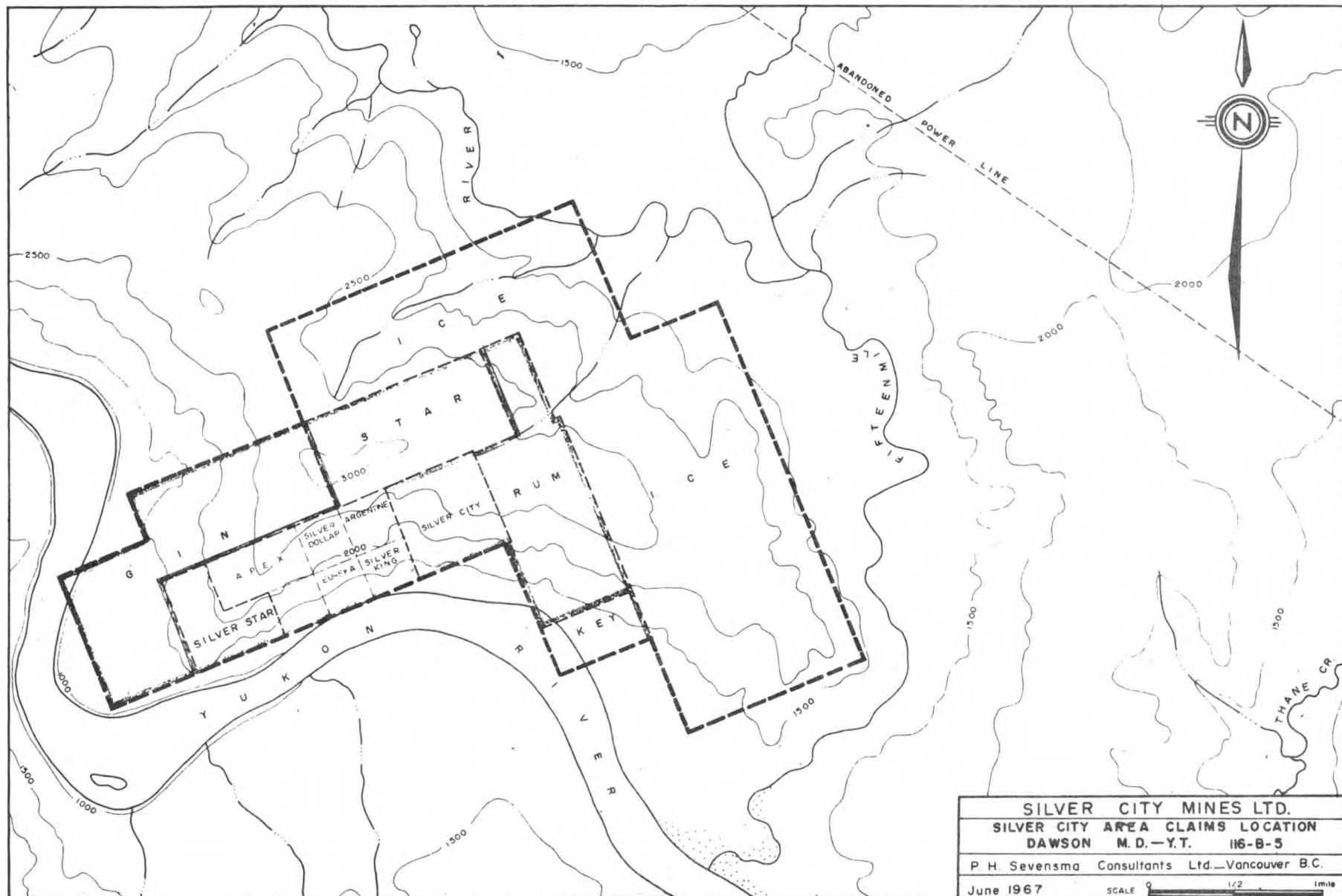
December 12, 1967



**SILVER CITY MINES LTD.**  
**TOPOGRAPHIC MAP OF SLIDE AREA**  
 P. H. Sevensma Consultants Ltd. — Vancouver B.C.  
 June 1967

SCALE: 1" = 100 Ft.

FIG. 2



|   |                    |
|---|--------------------|
| SILVER CITY MINES LTD.                          |                    |
| SILVER CITY AREA CLAIMS LOCATION                |                    |
| DAWSON M.D.-Y.T. 116-B-5                        |                    |
| P. H. Sevensma Consultants Ltd., Vancouver B.C. |                    |
| June 1967                                       | SCALE 0 1/2 1 mile |

**ARCHER, CATHRO**  
AND ASSOCIATES LTD.  
CONSULTING GEOLOGICAL ENGINEERS

CASCA-BUILDING, WHITEHORSE, Y.T. 667 - 4113

BENTALL CENTRE, VANCOUVER, B. C.  
688 - 3022 or 522 - 1562

POST OFFICE BOX 1708  
WHITEHORSE, Y.T.

PROGRESS REPORT

WHITE RIVER COPPER PROPERTY

SILVER CITY MINES LTD.

R.J. Cathro, P Eng.

November 30, 1967.

## SUMMARY

Surface bulldozer trenching on the White River, Yukon property of Silver City Mines Ltd. has resulted in the discovery of a rich copper deposit. The mineralized zone is 30 feet wide and assays 3.53% copper and 0.2 ozs/ton silver. It occurs as a vertically-dipping, structurally controlled deposit of chalcocite with lesser amounts of native copper and possibly some bornite. The chalcocite appears to be primary in origin. The zone occurs within amygdaloidal volcanics of Triassic age. A length of 300 feet, open at both ends, is indicated by similar mineralization found in the overburden.

The White River property is situated at 61° 47'N and 140°48'W. It is 20 miles by tote road from Mile 1168 on the Alaska Highway, which in turn is 250 miles (by all-weather road) from Whitehorse and 300 miles from the seaport of Haines, Alaska.

A \$250,000.00 surface diamond drilling program is recommended to explore the lateral and downward extensions of the deposit. The drilling is scheduled to start in late February, 1968.

## INTRODUCTION

Between September 20 and November 22, a program of tote road and airstrip construction and bulldozer trenching was carried out under the writer's direct supervision. Six visits were made to the property and, in addition, a deep reconnaissance soil sampling survey was carried out by an assistant, C.A. Main.

Following the discovery of the mineralization, an additional 48 mineral claims and a placer prospecting lease were staked. Four more claims were staked to cover open fractions following a tape and compass survey near the mineralized zone. This brings the total property holding to 224 mineral claims forming a single contiguous block slightly over 10,000 acres, or 15 square miles, in area.

## TRENCHING

The trenching was all confined to the vicinity of the old workings which date from before World War I. (see Fig. 1). Earlier work by the writer's crew had shown that the only significant copper mineralization to be found on the property occurred on the dump of a caved adit on Goldenhorne #1 claim, about 300 feet above White River on the east bank of Upper Canyon, three miles upstream from the site of Canyon City. This mineralization consisted of an intimate mixture of bornite and chalcocite. Small nuggets of native copper were also found in the overburden nearby. No mineralization was seen in place.

About 290 hours of ripping and stripping with a D7E caterpillar were required to locate and fully expose the mineralized zone in bedrock. Thirty-five feet of the adit had been driven through overburden and had caved. This was removed by the bulldozer, exposing the adit where it entered bedrock. However it was found to be filled with ice and fine muck and could not be opened. Boulders of bornite-chalcocite mineralization, identical in appearance to that seen earlier on the adit dump, were turned up in the floor of the trench at a point just before the adit reached bedrock but their source was not located and nothing is known of the width or average grade of this zone. Character samples assayed as high as 27% copper.

Trenching continued uphill to the east (away from White River) and, at a point 40 feet from the mineralized float described above, a well-mineralized zone was discovered in bedrock. The full mineralized width is 39.0 feet, of which the easterly 9.0 feet assays 0.76% copper, and the westerly 30.0 feet assay 3.53% copper and 0.2 ozs/ton silver and trace gold. Within this section a central 15.0 foot portion averages 4.9% copper. The zone is bounded sharply on both sides by barren amygdaloidal volcanic rock of upper Triassic age belonging to the Mush Lake group. The attitude of these volcanic rocks has not been determined. The zone strikes N 15°E and dips vertically. Mineralization consists of chalcocite with lesser amounts of native copper, occurring as veinlets up to 1 ½ inches wide and as fairly heavy disseminations. The zone contains no other sulfide minerals and differs from that in the old adit by its lack of bornite. Malachite is a common oxidation product at surface.

A second trench was started about 300 feet north but was not completed to bedrock. Native copper was found here in blocks of bedrock float which do not appear to have travelled more than a few feet from their source. This point is almost directly uphill from the site of the 2600 lb. slab of native copper which was removed in early 1958 by the Yukon Historical Society and which now stands in front of the McBride Museum in Whitehorse. Native copper and chalcocite have been found by the writer in the overburden at two other locations between the two trenches. It is thus reasonable to assume an indicated length of mineralization of 300 feet, with both ends open.

Bulldozing has achieved its objective of locating mineralization in bedrock and disclosing its character and trend. However, most of the work was in very hard, tough permafrost and further exploration of this discovery zone should be with diamond drilling rather than bulldozing.

### GEOCHEMICAL SURVEY

The presence of permafrost over most of the property, mantled by a 1-2 foot blanket of frozen pumice, makes conventional soil sampling impossible. In order to test the effectiveness of this technique, deep pits were dug mechanically with the bulldozer beneath the pumice layer. A reconnaissance-type survey was conducted uphill from the

discovery zone with sampling on a 400 foot grid pattern over an area  $\frac{1}{2}$  mile long and  $\frac{1}{2}$  mile wide. Two samples were taken from each pit, one from the pumice layer and one from the "B" soil horizon below. These were analyzed at Chemex Labs, Vancouver and did not show any significant pattern or variation. It is quite possible that the poor response is due to poor geochemical sampling conditions caused by the nature of the overburden profile. Further test sampling near the discovery zone and overburden study will be needed to determine how applicable soil sampling will be on this property.

### ROAD AND AIRSTRIP CONSTRUCTION

Approximately 100 hours of bulldozer time was required to clear a 20 mile tote trail route from Mile 1168 (White River Lodge) on the Alaska Highway. The route selected follows the east bank of White River for 8 miles to the head of Lower Canyon. It then crosses the braided gravel bars of the silt-choked flood plain for the next 10 miles to Canyon City at the foot of Upper Canyon. At this point, a 2000 foot airstrip was constructed to permit year-round access by bush aircraft. This airstrip is about 2 miles from the mineralized zone by tote road.

Mile 1168 is about 300 miles from the seaport of Haines, Alaska, and 250 miles from Whitehorse (by allweather highway).

### CONCLUSIONS & RECOMMENDATIONS

This deposit appears, from the limited evidence seen so far, to be a structurally controlled, primary chalcocite deposit. The mineral assemblage - native copper, chalcocite and perhaps bornite - has been produced by the precipitation of copper rich solutions within a rock which was deficient in both sulfur and iron. There is no evidence available to suggest any change in mineralogy at depth and this will only be proved or disproved by drilling.

The mineralized zone sampled in the bulldozer trench has a gross value in copper and silver of over \$28.00 per ton at metal prices of 40 cents per pound for copper and \$2.00 per ounce for silver. Since there are no gangue minerals, milling will involve only a simple separation between copper minerals and wallrock. Moreover, since the minerals present are so rich in copper: native copper-100%, chalcocite-79.8% and bornite-63.3%, a mill concentrate from this assemblage is expected to average between 65 and 75 percent copper and about 4 ozs/ton silver.

If sufficient tonnage can be found of similar mineralization and similar grade to justify a production decision, the potential is for a very strong cash flow from a relatively small capital investment.

A vigorous surface drilling program is recommended to outline the lateral and downward extent of the discovery zone and locate any further zones which may lie nearby. The program should begin with two drills late in February, after the severe cold weather is over. A semi-permanent camp should be constructed at the site. It is hoped that sufficient information will be gained by late April to enable freighting for summer exploration to be completed on the winter road. The estimated cost of this drilling is:

|   |                  |
|---|------------------|
| 10,000 feet BQ core drilling @ \$12.00/ft.....  | \$120,000.00     |
| Indirect costs - room and board, drill site preparation, surveying, drill supplies, assaying and supervision @ \$6.00/ft..... | 60,000.00        |
| Purchase of new 15-man trailer camp.....  | 30,000.00        |
| Freighting to property  | 20,000.00        |
| Contingencies- 10%  | <u>20,000.00</u> |
| Total   | \$250,000.00     |

Respectfully submitted,

ARCHER, CATHRO & ASSOC. LTD.

"R. J. Cathro"

R. J. Cathro, P. Eng.

**ARCHER, CATHRO**  
AND ASSOCIATES LTD.  
CONSULTING GEOLOGICAL ENGINEERS

CASCA BUILDING, WHITEHORSE Y. T. 667 - 4113

BENTALL CENTER, VANCOUVER, B. C.  
688 - 3022 or 522 - 1562

POST OFFICE BOX 1708  
WHITEHORSE, Y.T.

CERTIFICATE

I, Robert J. Cathro, with business and residential address in Whitehorse, Yukon, do hereby declare that:

- (1) I am a consulting geological engineer.
- (2) I am a graduate of the University of British Columbia, 1959.
- (3) I am a registered professional engineer in the Yukon and British Columbia.
- (4) From 1959 to 1966, I was engaged in mining and exploration geology and held positions of responsibility with United Keno Hill Mines Ltd., Giant Yellowknife Mines Ltd., and Eldorado Mining and Refining Ltd.
- (5) I have personally supervised all exploration of the White River property by Silver City Mines Ltd.
- (6) I have no interest, nor do I expect to receive any interest, direct or indirect, in any properties or companies referred to in this report.

Respectfully submitted,

"R. J. Cathro"

---

R.J. Cathro, B.A. Sc., P. Eng.

**CENTRAL-DEL RIO OILS LIMITED**

736 EIGHTH AVENUE SOUTH WEST, CALGARY, ALBERTA

PHONE 263 - 7660, AREA CODE 403 \* TELEX 038 - 2353

Silver City Mines Ltd.,  
510 West Hastings Street,  
Vancouver, B.C.

Dear Sirs:

Re: THE PARTICIPATION OF CENTRAL-DEL RIO OILS  
LIMITED IN THE DEVELOPMENT OF THE WHITE  
RIVER COPPER PROPERTIES

This letter is an offer by Central-Del Rio to participate, on the terms set out herein, in the White River Copper properties, being 224 contiguous mineral claims, more or less, and a placer prospecting lease, comprising in all approximately 10,000 acres, or 15 square miles in area, situated at 61° 47' N and 140° 48' W in the Yukon Territory, 20 miles by tote road southwest of Mile 1168 on the Alaska Highway.

Although acceptance of this offer forms an agreement it is intended that as soon as conveniently possible after such acceptance a formal agreement be entered into setting out the within terms in more detail:

In consideration of you (hereinafter called "Silver City") agreeing to our participation as aforesaid we (hereinafter called "Central-Del Rio") shall pay the sum of \$20,000.00 to Silver City upon the execution of the formal agreement and Silver City shall allot to Central-Del Rio and Central-Del Rio shall subscribe for 10,000 fully paid and non-assessable shares of Silver City at the price of 50¢ per share. Silver City shall acquire the consents of the Superintendent of Brokers of British Columbia and any Stock Exchange that may be required for the allotment by it of the said 10,000 shares.

PHASE I

- (a) Central-Del Rio shall cause a British Columbia private company (hereinafter called "the Company") to be incorporated with a capitalization of \$3,000,000.00 divided into 3,000,000 shares with a par value of \$1.00 each. The Company's Board shall consist of five directors, of which three shall be nominees of Central-Del Rio and two shall be nominees of Silver City, and a voting agreement shall be entered into for the purpose aforesaid.
- (b) Forthwith after the incorporation of the Company Silver City shall

transfer the White River Copper properties to the Company free and clear of all encumbrances for the total consideration of 200,000 fully paid and non-assessable shares of the Company, of which 100,000 shares shall be issued on the transfer of the said properties and the remaining 100,000 shares shall be issued as provided for herein .

- (c) Forthwith after the transfer of the said properties, Central-Del Rio shall subscribe for 100,001 fully paid and non-assessable shares of the Company for the sum of \$250,002.50, of which 75,001 shares shall be placed by it in trust .
- (d) Silver City shall prepare an examination and exploration plan and budget for the White River Copper properties which shall outline a programme for the expenditure of such portion of the above \$250,002.50 as shall be available for that purpose . The said examination and exploration plan and budget shall be submitted to the Board of Directors of the Company for consideration and, until approval thereof by the Board of Directors, no expenditures shall be incurred by the Company in carrying out the said plan .
- (e) If the said plan and budget shall be approved by the Board of Directors of the Company then Silver City shall forthwith proceed to manage the carrying out of the same as expeditiously as possible . In the event the said plan is not carried out as aforesaid then the management thereof shall pass to Central-Del Rio . Expenditures for overhead, administration and management of the Company during Phase I shall not exceed \$10,000.00 .
- (f) Ownership of the issued shares of the Company during Phase I shall be Central-Del Rio 50.001% and Silver City 49,999% .

## PHASE II

- (a) Forthwith after the completion of Phase I a report shall be submitted by the party then having management to the Board of Directors of the Company setting forth the results of the work done throughout Phase I . If requested by the said Board of Directors such manager shall prepare for submission a further examination and exploration plan and budget for the White River Copper properties which shall outline a further programme for the expenditure of an amount approximating, but not exceeding, an additional \$250,000.00, and for a period of 30 days as from the date said plan and budget shall be approved by the Board of Directors of the Company Central-Del Rio shall have an option to purchase from the Company an additional 100,000 shares for the sum of \$250,000.00 . In the event of the exercise of the said option Central-

WHITE RIVER COPPER  
AREA

YUKON TERRITORY

FAULTING



WHITTHORSE  
ATTACC 230K  
CAN-ALASKA 11-NAI

CAN 21-8-1

MULLY WEN

WHITE RIVER

JERSEY  
CONSOLIDATED

RECENT  
STAKING

KUTLAN RIVER

LOST TREASURE  
CLAIM

SILVER CITY  
(CENTRAL DEL RIO)

SILVER CITY (CENTRAL DEL RIO)

DISCOVERY

RECENT  
STAKING

JERSEY  
CONSOLIDATED

RECENT  
STAKING

FAULTS

FAULTS

Del Rio agrees that 45,000 of the 100,000 shares shall be placed by it in trust.

- (b) Forthwith after the expiration of the 30 day period referred to in the preceding sub-clause the Company shall allot a further 100,000 shares to Silver City in payment to it of the balance of the consideration for the transfer by it to the Company of the White River Copper properties.
- (c) In the event of the option referred to in sub-clause (a) of this Phase II is exercised by Central-Del Rio then the party having management at the termination of Phase I shall forthwith proceed to carry out the said plan as expeditiously as possible. If the said manager shall be Silver City, and if it does not carry out the said plan as aforesaid, then the management thereof shall pass to Central-Del Rio. The expenditures for overhead, administration and management of the Company during Phase II shall not exceed \$10,000.00.
- (d) Ownership of the issued shares of the Company during Phase II shall be Central-Del Rio 50.001% and Silver City 49.999%
- (e) In the event Central-Del Rio does not exercise the option referred to in sub-clause (a) of this Phase II, then Central-Del Rio agrees to transfer to Silver City 75,001 of its shares of the Company held in trust, and upon the transfer thereof this agreement shall terminate. In such event ownership of the issued shares of the Company shall be Central-Del Rio 12.5% and Silver City 87.5%.

### PHASE III

- (a) Forthwith after the completion of Phase II a report shall be submitted by the party then having management to the Board of Directors of the Company setting forth the results of the work done throughout Phase II. If requested by the said Board of Directors such manager shall prepare for submission a further examination and exploration plan and budget for the White River Copper properties which shall outline a further programme for the expenditure of an amount approximating, but not exceeding, an additional \$500,000.00, and for a period of 60 days as from the date said plan and budget shall be approved by the Board of Directors of the Company Central-Del Rio shall have an option to purchase from the Company an additional 44,444 shares for the sum of \$500,000.00. In the event of the exercise of the said option 8,889 shares of the 120,001 shares held in trust shall be released from trust and delivered to Central-Del Rio.
- (b) In the event the option referred to in the preceding sub-clause is exercised

by Central-Del Rio then the party having management at the termination of Phase II shall forthwith proceed to carry out the said plan as expeditiously as possible. If the said manager shall be Silver City, and if it does not carry out the said plan as aforesaid, then the management thereof shall pass to Central-Del Rio. The expenditures for overhead, administration and management of the Company during Phase III shall not exceed \$25,000.00.

- (c) Ownership of the issued shares of the Company during Phase III shall be Central-Del Rio 55% and Silver City 45%.
- (d) In the event Central-Del Rio does not exercise the option referred to in sub-clause (a) of this Phase III, then Central-Del Rio agrees to transfer to Silver City 120,001 of its shares of the Company held in trust, and upon the transfer thereof this agreement shall terminate. In such event ownership of the issued shares of the Company shall be Central-Del Rio 20% and Silver City 80%.

#### PHASE IV

- (a) Forthwith after the completion of Phase III a report shall be submitted by the party then having management to the Board of Directors of the Company setting forth the results of the work done throughout Phase III. If requested by the said Board of Directors such manager shall prepare for submission a further examination and exploration plan, a preproduction plan and budget for the White River Copper properties which shall outline a further programme for the expenditure of an amount approximating, but not exceeding, an additional \$500,000.00, and for a period of 60 days as from the date said plans and budget shall be approved by the Board of Directors of the Company Central-Del Rio shall have an option to purchase from the Company an additional 55,555 shares for the sum of \$500,000.00.

In the event of the exercise of the said option all of the shares held in trust, being 111,112 shares, shall be released from trust and delivered to Central-Del Rio.

- (b) In the event the option referred to in the preceding sub-clause is exercised by Central-Del Rio then the party having management at the termination of Phase III shall forthwith proceed to carry out the said plans as expeditiously as possible. If the said manager shall be Silver City, and if it does not carry out the said plans as aforesaid, then the management thereof shall pass to Central-Del Rio. The expenditures for overhead, administration and management of the Company during Phase IV shall not exceed \$25,000.00.

- (c) Ownership of the issued shares of the Company upon the exercise by Central-Del Rio of the option referred to in sub-clause (a) of this Phase IV shall be Central-Del Rio 60% and Silver City 40%.
- (d) In the event Central-Del Rio does not exercise the option referred to in sub-clause (a) of this Phase IV then Central-Del Rio agrees to transfer to Silver City 111, 112 of its shares of the Company held in trust, and upon the transfer thereof this agreement shall terminate. In such event ownership of the issued shares of the Company shall be Central-Del Rio 30% and Silver City 70%.

#### PHASE V

- (a) Forthwith after the completion of Phase IV a report shall be submitted by the party then having management to the Board of Directors of the Company setting forth the results of the work done throughout Phase IV. Upon approval of such report, and upon approval of such other reports as the Board of Directors of the Company may consider necessary, the Board of Directors of the Company shall decide whether or not a feasibility report shall be prepared. In such event the Board of Directors shall appoint the person or persons to prepare such feasibility report. Following the receipt of the feasibility report the Board of Directors of the Company shall decide whether or not the White River Copper properties should be put into production, and in the event the Board of Directors of the Company decides that the White River Copper properties should be put into production it shall report its decision with the reasons therefor to Central-Del Rio. Following approval by Central-Del Rio of the report of the Board of Directors of the Company Central-Del Rio shall use its best efforts to arrange financing sufficient to bring the White River Copper properties into production at a rate to be decided upon by the Board of Directors of the Company.
- (b) Silver City shall have 30 days following notice from Central-Del Rio within which to arrange one quarter of the required financing on terms not less favourable to the Company than the terms of the balance of the financing arranged by Central-Del Rio, and on terms acceptable to the lender or lenders providing the financing arranged by Central-Del Rio. Provided all required financing is arranged and provided Silver City arranges one-quarter of such required financing on the terms and within the time set out, then Central-Del Rio shall transfer 25,000 of its shares in the Company to Silver City at no cost to Silver City. In such event the ownership of the issued shares of the Company shall be Central-Del Rio 55% and Silver City 45%. However, if Silver City does not arrange one-quarter of the required financing on the terms and within the time set

out, and provided all such financing is arranged by Central-Del Rio, then Silver City shall transfer 25,000 of its shares in the Company to Central-Del Rio at no cost to Central-Del Rio. In such event the ownership of the issued shares of the Company shall be Central-Del Rio 65% and Silver City 35%.

Central-Del Rio shall at all times have all rights attached to all of its shares of the Company held in trust as hereinbefore provided.

Should Central-Del Rio or Silver City or any director, officer, servant or agent of either of them or anyone on behalf of any of such persons hereafter independently acquire any mineral claim or interest in minerals in lands within one (1) mile of the outer boundary of the White River Copper properties, then such claim or interest shall immediately be offered to the Company at the cost of acquisition; and the Company shall have thirty (30) days within which to accept or reject such offer. If such offer is accepted, Central-Del Rio and Silver City shall, if the Company does not, at the time of acceptance, have sufficient funds available for the purpose of purchasing such claim or interest, provide the Company, by way of purchase of shares in or loan to the Company, in accordance with their then existing respective percentages of ownership of its issued shares, with sufficient funds to make up any shortage.

Dr. W.V. Smitheringale shall be retained by the Company as a consultant and he shall supervise the preparation of the budget and plans for each phase, the carrying out of the programmes in Phases I, II, III and IV, and the preparation of the report following the completion of each phase. In the event Dr. Smitheringale is unable or unwilling to act then such person or persons as the Board of Directors of the Company may decide shall be retained by the Company as a consultant.

This offer is, of course, conditional on Silver City owning valid, subsisting and unencumbered mineral claims covering the White River Copper properties which have been under discussion.

If this offer is accepted by you please sign and return the enclosed copy to us.

This offer is open for acceptance until 12:00 noon Mountain Standard Time, on Friday, the 15th day of December, A.D. 1967

Accepted this 12th day of  
December, 1967.  
Silver City Mines Ltd.

Yours truly  
  
CENTRAL-DEL RIO OILS LIMITED

Per "James A. Hanna"  
James A. Hanna, President

Per "C. M. MacInnes"  
C.M. MacInnes, Vice President